

Dike-New Hartford Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2008

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**Dike-New Hartford Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2007 Election)**

Jerry Nielsen	President	2007
Meinard Koop	Vice President	2009
Melissa Hinde	Board Member	2007
Thomas Boe	Board Member	2008
Tom Lizer	Board Member	2008

**Board of Education**

**(After September 2007 Election)**

Meinard Koop	President	2009
Tom Lizer	Vice President	2008
Jerry Nielsen	Board Member	2010
Thomas Boe	Board Member	2008
Melissa Hinde	Board Member	2010

**School Officials**

Lindsey Beecher	Superintendent	2008
Don Graves	District Secretary/Treasurer	2008
Jane Christensen	District Assistant Treasurer	2008
Julie Merfeld	District Business Manager	2008
Swisher & Cohrt	Attorney	2008

Independent Auditor's Report

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

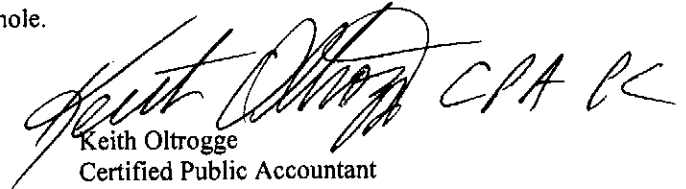
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 12, 2009 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA CK  
Keith Oltrogge  
Certified Public Accountant

January 12, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dike-New Hartford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,342,262 in fiscal 2007 to \$6,532,587 in fiscal 2008, while General Fund expenditures increased from \$6,396,284 in fiscal 2007 to \$6,588,443 in fiscal 2008. The District's General Fund balance decreased from \$1,060,194 in fiscal 2007 to \$1,006,279 in fiscal 2008, a 5% decrease.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's increase in General Fund revenue for fiscal 2008.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 14.06% in 2007 to 12.20% in fiscal 2008. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dike-New Hartford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Dike-New Hartford Community School District Annual Financial Report**

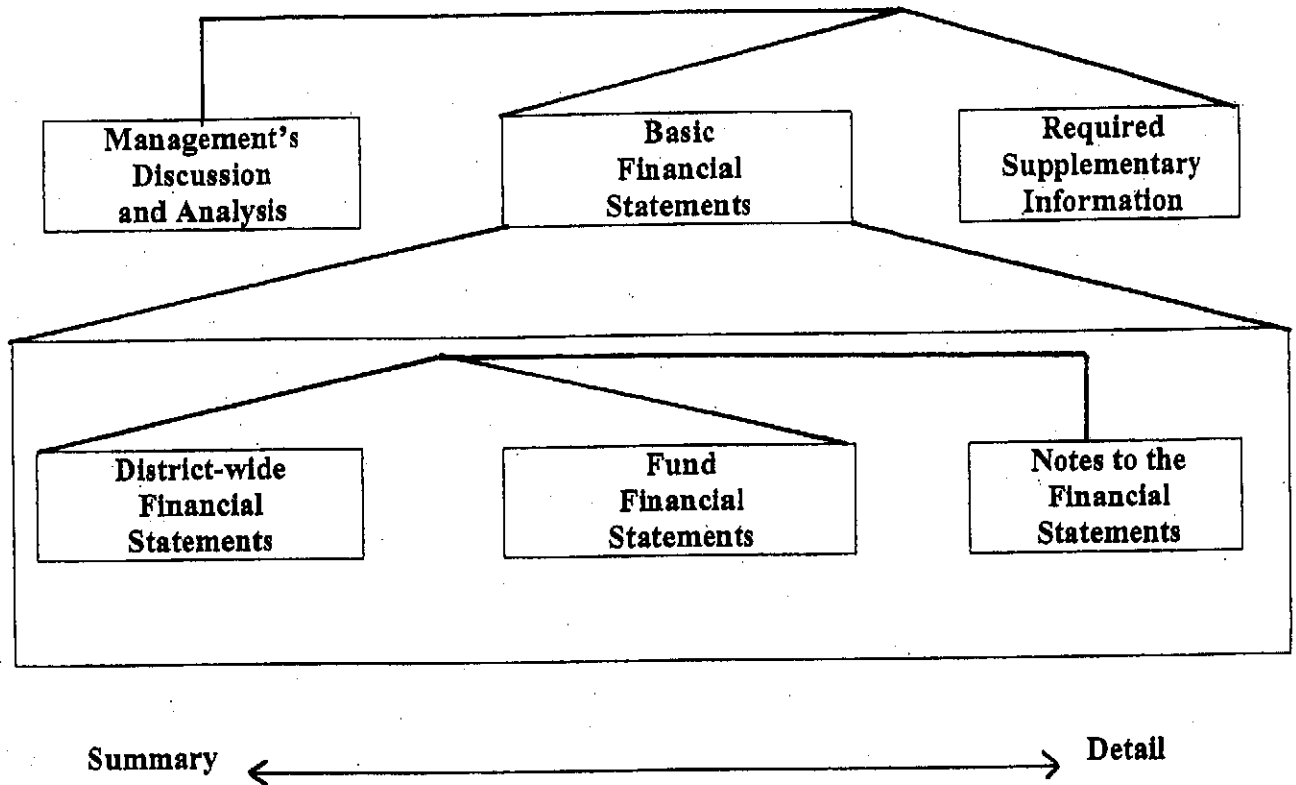


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$6,298,250	\$8,094,587	\$202,272	\$202,114	\$6,500,522	\$8,296,701	-\$1,796,179
Capital assets	6,987,055	5,038,850	14,335	16,038	7,001,390	5,054,888	1,946,502
Total assets	\$13,285,305	\$13,133,437	\$216,607	\$218,152	\$13,501,912	\$13,351,589	\$150,323
Long-term liabilities	\$5,824,324	\$5,933,327	\$-	\$-	\$5,824,324	\$5,933,327	-\$109,003
Other liabilities	3,172,174	3,315,587	6,691	8,828	3,178,865	3,324,415	-145,550
Total liabilities	\$8,996,498	\$9,248,914	\$6,691	\$8,828	\$9,003,189	\$9,257,742	-\$254,553
Net assets:							
Invested in capital assets, net of related debt	\$1,192,055	-\$846,150	\$14,335	\$16,038	\$1,206,390	-\$830,112	\$2,036,502
Restricted	719,897	480,381	-	-	719,897	480,381	239,516
Unrestricted	2,376,855	4,250,292	195,581	193,286	2,572,436	4,443,578	-1,871,142
Total net assets	\$4,288,807	\$3,884,523	\$209,916	\$209,324	\$4,498,723	\$4,093,847	\$404,876

The District's combined net assets increased by nearly 9%, or \$404,876, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$239,516, or 33.3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,871,142 or 42% under last years.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for service	\$529,200	\$542,467	\$211,188	\$217,364	\$740,388	\$759,831	-\$19,443
Operating grants, contributions and restricted interest	780,105	694,977	104,493	104,870	884,598	799,847	84,751
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,635,681	2,513,559	-	-	2,635,681	2,513,559	\$122,122
Local option sales and service tax	449,317	446,636	-	-	449,317	446,636	2,681
Unrestricted state grants	3,230,349	3,175,064	-	-	3,230,349	3,175,064	55,285
Unrestricted investment earnings	196,450	332,274	3,275	2,320	199,725	334,594	-134,869
Other	87,487	52,113	-	-	87,487	52,113	35,374
Total revenues	\$7,908,589	\$7,757,090	\$318,956	\$324,554	\$8,227,545	\$8,081,644	\$145,901
Program expenses:							
Governmental activities:							
Instruction	\$4,931,008	\$4,365,269	\$3,877	\$3,099	\$4,934,885	\$4,368,368	\$566,517
Support services	2,034,873	1,930,831	-	-	2,034,873	1,930,831	104,042
Non-instructional programs	5,188	6,485	314,487	317,160	319,675	323,645	-3,970
Other expenses	533,236	490,533	-	-	533,236	490,533	42,703
Total expenses	\$7,504,305	\$6,793,118	\$318,364	\$320,259	\$7,822,669	\$7,113,377	\$709,292
Change in net assets	\$404,284	\$963,972	\$592	\$4,295	\$404,876	\$968,267	-\$563,391

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses. Total revenue increased approximately \$146,000 over the prior year. Expenditures increased approximately \$709,000 over the prior year.

#### Governmental Activities

Revenues for governmental activities were \$7,908,589 and expenses were \$7,504,305. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b>	
	Total Cost of Services	Net Cost of Services
Instruction	\$4,931,008	\$3,661,452
Support Services	2,034,873	1,995,124
Non-instructional programs	5,188	5,188
Other expenses	533,236	533,236
Totals	\$7,504,305	\$6,195,000

- The cost financed by users of the District's programs was \$740,388.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$884,598.
- The net cost of governmental activities was financed with \$3,084,998 in property and other taxes and \$3,230,349 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$318,956 and expenses were \$318,364. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dike-New Hartford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,143,396, a decrease from last year's ending fund balances of \$4,796,504.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,060,194 to \$1,006,279, due in part to an increase in instructional expenses..
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$104,284 in fiscal 2007 to \$204,050 in fiscal 2008.
- The Capital Projects Fund balance decreased from \$3,368,203 in fiscal 2007 to \$1,589,578 in fiscal 2008.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$5,276 more than budgeted receipts, a variance of .1%. The most significant variance resulted from the District receiving more in state revenue than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$7 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 28% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$199,320.

The original cost of the District's capital assets was \$14.72 million. Governmental funds account for \$14.70 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$100,000	\$100,000	\$-	\$-	\$100,000	\$100,000	\$-
Construction in process	5,115,202	3,397,093	-	-	5,115,202	3,397,093	1,718,109
Buildings	1,220,068	1,069,584	-	-	1,220,068	1,069,584	150,484
Improvements other than buildings	55,569	26,505	-	-	55,569	26,505	29,064
Furniture and equipment	496,216	445,668	14,335	16,038	510,551	461,706	48,845
Totals	\$6,987,055	\$5,038,850	\$14,335	\$16,038	\$7,001,390	\$5,054,888	\$1,946,502

### Long-Term Debt

At June 30, 2008, the District had \$5,824,324 in general obligation and other long-term debt outstanding. This represents an decrease of approximately 2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General obligation bonds	\$4,890,000	\$4,980,000	-\$90,000
Early retirement	29,324	48,327	-19,003
Revenue bond	905,000	905,000	-
Totals	\$5,824,324	\$5,933,327	-\$109,003

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

## **Basic Financial Statements**

## Dike-New Hartford Community School District

## Statement of Net Assets

June 30, 2008

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 3,771,077	\$ 196,755	\$ 3,967,832
Receivables:			
Property tax:			
Delinquent	33,231	-	33,231
Succeeding year	2,361,497	-	2,361,497
Accounts	56	2,179	2,235
Due from other governments	132,389	39	132,428
Inventories	-	3,299	3,299
Capital assets, net of accumulated depreciation	6,987,055	14,335	7,001,390
<b>Total Assets</b>	<b>\$ 13,285,305</b>	<b>\$ 216,607</b>	<b>\$ 13,501,912</b>
<b>Liabilities</b>			
Accounts payable	\$ 220,903	\$ 1,698	\$ 222,601
Salaries and benefits payable	554,212	266	554,478
Accrued interest payable	35,562	-	35,562
Deferred revenue-succeeding year property tax	2,361,497	-	2,361,497
Deferred revenue-other	-	4,727	4,727
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	90,000	-	90,000
Early retirement	18,165	-	18,165
Revenue Bonds	115,000	-	115,000
Portion due after one year:			
General obligation bonds payable	4,800,000	-	4,800,000
Early retirement	11,159	-	11,159
Revenue bond	790,000	-	790,000
<b>Total Liabilities</b>	<b>\$ 8,996,498</b>	<b>\$ 6,691</b>	<b>\$ 9,003,189</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,192,055	\$ 14,335	\$ 1,206,390
Restricted for:			
Management levy	58,104	-	58,104
Debt service	151,030	-	151,030
Other special revenue purposes	309,081	-	309,081
Other reserved	201,682	-	201,682
Unrestricted	2,376,855	195,581	2,572,436
<b>Total Net Assets</b>	<b>\$ 4,288,807</b>	<b>\$ 209,916</b>	<b>\$ 4,498,723</b>

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2008**

		Program Revenues			
			Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses				
<b><u>Functions/Programs</u></b>					
Governmental Activities:					
Instruction:					
Regular instruction	\$ 3,188,054	\$ 208,093	\$ 674,541	\$ -	
Special instruction	758,860	37,191	82,313	-	
Other instruction	984,094	253,777	13,641	-	
	<u>\$ 4,931,008</u>	<u>\$ 499,061</u>	<u>\$ 770,495</u>	<u>\$ -</u>	
Support Services:					
Student services	\$ 131,732	\$ -	\$ 5,572	\$ -	
Instructional staff services	248,360	-	-	-	
Administration services	728,985	-	1,500	-	
Operation and maintenance of plant services	584,265	922	-	-	
Transportation services	341,531	29,217	2,538	-	
	<u>\$ 2,034,873</u>	<u>\$ 30,139</u>	<u>\$ 9,610</u>	<u>\$ -</u>	
Non-instructional programs	\$ 5,188	\$ -	\$ -	\$ -	
Other Expenditures:					
Facilities acquisition	\$ 17,570	\$ -	\$ -	\$ -	
Long-term debt interest	248,357	-	-	-	
AEA flow-through	267,309	-	-	-	
	<u>\$ 533,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Governmental Activities	<u>\$ 7,504,305</u>	<u>\$ 529,200</u>	<u>\$ 780,105</u>	<u>\$ -</u>	
Business Type Activities:					
Non-Instructional Programs:					
Food service operations	\$ 314,487	\$ 211,188	\$ 104,493	\$ -	
Instructional Program:					
Internal service	3,877	-	-	-	
Total Business Type Activities	<u>\$ 318,364</u>	<u>\$ 211,188</u>	<u>\$ 104,493</u>	<u>\$ -</u>	
Total	<u>\$ 7,822,669</u>	<u>\$ 740,388</u>	<u>\$ 884,598</u>	<u>\$ -</u>	



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,305,420	\$	-	\$ -2,305,420
	-639,356		-	-639,356
	-716,676		-	-716,676
\$	-3,661,452	\$	-	\$ -3,661,452
\$	-126,160	\$	-	\$ -126,160
	-248,360		-	-248,360
	-727,485		-	-727,485
	-583,343		-	-583,343
	-309,776		-	-309,776
\$	-1,995,124	\$	-	\$ -1,995,124
\$	-5,188	\$	-	\$ -5,188
\$	-17,570	\$	-	\$ -17,570
	-248,357		-	-248,357
	-267,309		-	-267,309
\$	-533,236	\$	-	\$ -533,236
\$	-6,195,000	\$	-	\$ -6,195,000
\$	-	\$	1,194	\$ 1,194
	-		-3,877	-3,877
\$	-	\$	-2,683	\$ -2,683
\$	-6,195,000	\$	-2,683	\$ -6,197,683

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2008**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	2,298,493	\$ -	\$ 2,298,493
	186,430	-	186,430
	150,758	-	150,758
	449,317	-	449,317
	3,230,349	-	3,230,349
	196,450	3,275	199,725
	87,487	-	87,487
\$	6,599,284	\$ 3,275	\$ 6,602,559
\$	404,284	\$ 592	\$ 404,876
	3,884,523	209,324	4,093,847
\$	4,288,807	\$ 209,916	\$ 4,498,723

## Dike-New Hartford Community School District

Balance Sheet  
Governmental Funds

June 30, 2008

	General	Capital Projects	Non-major Special Revenue	Total
<b>Assets</b>				
Cash and Pooled Investments:				
Other	\$ 1,559,342	\$ 1,630,715	\$ 581,020	\$ 3,771,077
Receivables:				
Property Tax:				
Delinquent	26,320	-	6,911	33,231
Succeeding year	1,881,478	-	480,019	2,361,497
Accounts	-	-	56	56
Due from other governments	66,527	65,796	66	132,389
<b>Total Assets</b>	<b>\$ 3,533,667</b>	<b>\$ 1,696,511</b>	<b>\$ 1,068,072</b>	<b>\$ 6,298,250</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 91,698	\$ 106,933	\$ 22,272	\$ 220,903
Accrued interest	-	-	18,242	18,242
Salaries and benefits payable	554,212	-	-	554,212
Deferred Revenue:				
Succeeding year property tax	1,881,478	-	480,019	2,361,497
Total Liabilities	\$ 2,527,388	\$ 106,933	\$ 520,533	\$ 3,154,854
Fund Balances:				
Other reserved	\$ 201,682	\$ -	\$ -	\$ 201,682
Unreserved	804,597	1,589,578	547,539	2,941,714
Total Fund Balances	\$ 1,006,279	\$ 1,589,578	\$ 547,539	\$ 3,143,396
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,533,667</b>	<b>\$ 1,696,511</b>	<b>\$ 1,068,072</b>	<b>\$ 6,298,250</b>

**Dike-New Hartford Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2008**

<b>Total fund balances of governmental funds (page 15)</b>	\$ 3,143,396
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,987,055
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-17,320
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-5,824,324</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 4,288,807</u>

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2008**

	General	Capital Projects	Non-Major Special Revenue	Total
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 2,165,934	\$ 449,317	\$ 469,747	\$ 3,084,998
Tuition	196,965	-	-	196,965
Other	162,581	161,684	292,966	617,231
Intermediate sources	-	-	-	-
State sources	3,891,366	-	347	3,891,713
Federal sources	115,741	-	-	115,741
Total Revenues	\$ 6,532,587	\$ 611,001	\$ 763,060	\$ 7,906,648
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 3,072,891	\$ -	\$ 30,173	\$ 3,103,064
Special instruction	758,860	-	-	758,860
Other instruction	634,366	-	344,506	978,872
	\$ 4,466,117	\$ -	\$ 374,679	\$ 4,840,796
Support Services:				
Student services	\$ 131,732	\$ -	\$ -	\$ 131,732
Instructional staff services	240,358	46,121	19,388	305,867
Administration services	687,965	26,354	7,397	721,716
Operation and maintenance of plant services	536,091	-	45,287	581,378
Transportation services	258,516	-	20,469	278,985
	\$ 1,854,662	\$ 72,475	\$ 92,541	\$ 2,019,678
Non-instructional programs	\$ 355	\$ -	\$ 4,833	\$ 5,188
Other Expenditures:				
Facilities acquisition	\$ -	\$ 2,054,086	\$ 36,099	\$ 2,090,185
Long-Term Debt:				
Fee	-	-	2,010	2,010
Principal	-	-	90,000	90,000
Interest	-	-	246,531	246,531
AEA flow-through	267,309	-	-	267,309
	\$ 267,309	\$ 2,054,086	\$ 374,640	\$ 2,696,035
Total Expenditures	\$ 6,588,443	\$ 2,126,561	\$ 846,693	\$ 9,561,697
Excess (deficiency) of revenues over (under) expenditures	\$ -55,856	\$ -1,515,560	\$ -83,633	\$ -1,655,049
<b>Other Financing Sources (Uses):</b>				
Operating transfer in (out)	-	-263,065	263,065	-
Sale of equipment and materials	1,941	-	-	1,941
	\$ 1,941	\$ -263,065	\$ 263,065	\$ 1,941
Net change in fund balances	\$ -53,915	\$ -1,778,625	\$ 179,432	\$ -1,653,108
Fund balances beginning of year	1,060,194	3,368,203	368,107	4,796,504
Fund Balances End of Year	\$ 1,006,279	\$ 1,589,578	\$ 547,539	\$ 3,143,396

See notes to financial statements.

**Dike-New Hartford Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2008**

**Net change in fund balances – total governmental funds (page 17)** **\$ -1,653,108**

***Amounts reported for governmental activities in the Statement of Activities are  
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,145,195	
Depreciation expense	<u>196,990</u>	1,948,205

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments , as follows:

Repaid	90,000
--------	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>19,003</u>
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**Change in Net Assets of Governmental Activities (page 14)** **\$ 404,284**

## Dike-New Hartford Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	School Nutrition	Internal Service	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 101,164	\$ 95,591	\$ 196,755
Accounts receivable	2,179	-	2,179
Due from other governments	39	-	39
Inventories	3,299	-	3,299
Capital assets, net of accumulated depreciation	14,335	-	14,335
<b>Total Assets</b>	<b>\$ 121,016</b>	<b>\$ 95,591</b>	<b>\$ 216,607</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,698	\$ -	\$ 1,698
Salaries and benefits payable	266	-	266
Deferred revenue	4,727	-	4,727
<b>Total Liabilities</b>	<b>\$ 6,691</b>	<b>\$ -</b>	<b>\$ 6,691</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 14,335	\$ -	\$ 14,335
Unrestricted	99,990	95,591	195,581
<b>Total Net Assets</b>	<b>\$ 114,325</b>	<b>\$ 95,591</b>	<b>\$ 209,916</b>



**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2008**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 211,188
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 101,171
Benefits	29,752
Purchased services	5,035
Supplies	174,608
Depreciation	2,330
Miscellaneous	125
Other	1,466
Total operating expenses	\$ 314,487
Operating loss	\$ -103,299
Non-operating revenues:	
State sources	\$ 3,846
Federal sources	100,647
Interest income	3,275
Total non-operating revenues	\$ 107,768
Change in net assets	\$ 4,469
Net assets beginning of year	109,856
Net Assets End of Year	\$ 114,325

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 211,414
Cash paid to employees for services	-130,658
Cash paid to suppliers for goods or services	-156,804
Net cash used by operating activities	<u>\$ -76,048</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,846
Federal grants received	76,005
Net cash provided by non-capital financing activities	<u>\$ 79,851</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -3,430</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 3,275</u>
Net increase in cash and cash equivalents	\$ 3,648
Cash and cash equivalents beginning of year	<u>97,516</u>
Cash and Cash Equivalents End of Year	<u>\$ 101,164</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -103,299
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,603
Depreciation	2,330
Decrease in inventories	601
(Increase) in accounts receivable	-949
(Decrease) in accounts payable less equipment in accounts payable	-723
Increase in deferred revenue	1,124
Increase in accrued salaries and benefits	<u>265</u>
Net Cash Used by Operating Activities	<u>\$ -76,048</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received \$24,603 of federal commodities.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2008**

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	<u>\$ -</u>
Operating expenses:	
Instruction:	
Benefits	<u>\$ 3,877</u>
Operating loss	<u>\$ -3,877</u>
Change in net assets	<u>\$ -3,877</u>
Net assets beginning of year	<u>99,468</u>
Net Assets End of Year	<u>\$ 95,591</u>

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2008

	Internal Service
Cash flows from operating activities:	
Cash received from collections	\$ -
Cash payments for employee benefits	-3,877
Net cash used by operating activities	<u>\$ -3,877</u>
Net decrease in cash and cash equivalents	\$ -3,877
Cash and cash equivalents beginning of year	<u>99,468</u>
Cash and Cash Equivalents End of Year	<u>\$ 95,591</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ -3,877
Adjustments to reconcile operating income to net cash used by operating activities	
Net Cash Used by Operating Activities	<u>\$ -3,877</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b>	
Current Assets:	
Cash	<u>\$ 95,591</u>

## **Dike-New Hartford Community School District**

### **Notes to Financial Statements**

**June 30, 2008**

#### **(1) Summary of Significant Accounting Policies**

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Dike-New Hartford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$ 2,328,381</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District did not participate in ISCAP for the 2007-2008 year.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in process	3,397,093	1,718,109	-	5,115,202
Total capital assets not being depreciated	\$ 3,497,093	\$ 1,718,109	\$ -	\$ 5,215,202
Capital assets being depreciated:				
Buildings	\$ 4,843,146	\$ 195,783	\$ -	\$ 5,038,929
Improvements other than buildings	639,940	31,631	-	671,571
Furniture and equipment	3,569,638	199,672	-	3,769,310
Total capital assets being depreciated	\$ 9,052,724	\$ 427,086	\$ -	\$ 9,479,810
Less accumulated depreciation for:				
Buildings	\$ 3,773,562	\$ 45,299	\$ -	\$ 3,818,861
Improvements other than buildings	613,435	2,567	-	616,002
Furniture and equipment	3,123,970	149,124	-	3,273,094
Total accumulated depreciation	\$ 7,510,967	\$ 196,990	\$ -	\$ 7,707,957
Total capital assets being depreciated, net	\$ 1,541,757	\$ 230,096	\$ -	\$ 1,771,853
Governmental Activities Capital Assets, Net	\$ 5,038,850	\$ 1,948,205	\$ -	\$ 6,987,055
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 27,330	\$ 627	\$ -	\$ 27,957
Less accumulated depreciation	11,292	2,330	-	13,622
Business Type Activities Capital Assets, Net	\$ 16,038	\$ -1,703	\$ -	\$ 14,335
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 107,590
Other				5,222
Support services:				
Administration				9,307
Operation and maintenance of plant				12,325
Transportation				62,546
Total Depreciation Expense – Governmental Activities				\$ 196,990
Business Type Activities:				
Food service operations				\$ 2,330

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 4,980,000	\$ -	\$ 90,000	\$ 4,890,000	\$ 90,000
Early retirement	48,327	-	19,003	29,324	18,165
Revenue bond	905,000	-	-	905,000	115,000
Total	\$ 5,933,327	\$ -	\$ 109,003	\$ 5,824,324	\$ 223,165

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on the current year salary schedule. The payout will be calculated as the difference between the employee's current salary schedule placement and Step 4 of Lane A, excluding supplemental assignment pay. Early retirement expenditures for the year ended June 30, 2008 totaled \$19,003.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

2008 Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	2.85%	\$ 90,000	\$ 14,135	\$ 104,135
2010	3.10%	90,000	11,570	101,570
2011	3.35%	100,000	8,780	108,780
2012	3.45%	100,000	5,430	105,430
2013	3.60%	55,000	1,980	56,980
Total		\$ 435,000	\$ 41,895	\$ 476,895

### 2008 Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	5.000%	\$ -	\$ 193,706	\$ 193,706
2010	5.000%	45,000	193,706	238,706
2011	5.000%	75,000	191,456	266,456
2012	5.000%	85,000	187,706	272,706
2013	5.000%	165,000	183,456	348,456
2014	5.000%	265,000	175,206	440,206
2015	5.000%	275,000	161,956	436,956
2016	5.000%	290,000	148,206	438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
Total		\$ 4,455,000	\$ 2,150,948	\$ 6,605,948

### Revenue Bonds

Year Ending June 30	Interest Rate	Principal	Interest	Total
2009	4.00%	\$ 115,000	\$ 34,186	\$ 149,186
2010	4.00%	120,000	29,486	149,486
2011	4.00%	125,000	24,586	149,586
2012	4.00%	125,000	19,586	144,586
2013	4.00%	135,000	14,386	149,386
2014	4.10%	140,000	8,816	148,816
2015	4.10%	145,000	2,973	147,973
Total		\$ 905,000	\$ 134,019	\$ 1,039,019

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$229,813, \$211,836 and \$197,071, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Dike-New Hartford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$267,309 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Construction Commitment**

The District has entered into contracts totaling approximately \$5.5 million for the construction of a new auditorium and classroom additions in Dike, and classroom additions in New Hartford. The 2006 bond issued for \$4,455,000 will be used, along with a \$905,000 local option sales tax revenue bond for the projects. At June 30, 2008, \$5,115,202 is in Construction in process. The project will be completed in 2009.

The New Hartford elementary school was damaged by flooding in June 2008. Estimated renovation cost is \$500,000 which will be paid out of the 2008-2009 budget. The District had no flood insurance. The District will issue revenue bonds to fund these costs.

The District has ordered a new bus for \$80,507 with payment and delivery after June 30, 2008.

## **Required Supplementary Information**

**Dike-New Hartford Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,899,194	\$ 214,463
Intermediate sources	-	-
State sources	3,891,713	3,846
Federal sources	115,741	100,647
Total Receipts	<u>\$ 7,906,648</u>	<u>\$ 318,956</u>
Disbursements:		
Instruction	\$ 4,840,796	\$ -
Support services	2,019,678	-
Non-instructional programs	5,188	314,487
Other expenditures	2,696,035	-
Total Disbursements	<u>\$ 9,561,697</u>	<u>\$ 314,487</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -1,655,049	\$ 4,469
Other financing sources, net	<u>1,941</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -1,653,108	\$ 4,469
Balances beginning of year	<u>4,796,504</u>	<u>109,856</u>
Balances End of Year	<u>\$ 3,143,396</u>	<u>\$ 114,325</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Final	Final To Actual Variance
\$	4,113,657	\$ 4,165,589	\$ -51,932
	-	-	-
	3,895,559	3,787,739	107,820
	216,388	267,000	-50,612
\$	8,225,604	\$ 8,220,328	\$ 5,276
\$	4,840,796	\$ 4,864,071	\$ 23,275
	2,019,678	2,285,000	265,322
	319,675	375,200	55,525
	2,696,035	4,490,729	1,794,694
\$	9,876,184	\$ 12,015,000	\$ 2,138,816
\$	-1,650,580	\$ -3,794,672	\$ 2,144,092
	1,941	-	1,941
\$	-1,648,639	\$ -3,794,672	\$ 2,146,033
	4,906,360	5,104,499	-198,139
\$	3,257,721	\$ 1,309,827	\$ 1,947,894



**Dike-New Hartford Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2008**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **Other Supplementary Information**

## Dike-New Hartford Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2008

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 87,010	\$ 123,088	\$ 204,407	\$ 166,515	\$ 581,020
Receivables:					
Property Tax:					
Delinquent	1,956	-	2,221	2,734	6,911
Succeeding year	132,000	-	154,378	193,641	480,019
Due from other governments	21	-	22	23	66
Accounts receivable	-	56	-	-	56
<b>Total Assets</b>	<b>\$ 220,987</b>	<b>\$ 123,144</b>	<b>\$ 361,028</b>	<b>\$ 362,913</b>	<b>\$ 1,068,072</b>
<b>Liabilities &amp; Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 1,559	\$ 18,113	\$ 2,600	\$ -	\$ 22,272
Accrued interest	-	-	-	18,242	18,242
Deferred Revenue:					
Succeeding year property tax	132,000	-	154,378	193,641	480,019
Total Liabilities	\$ 133,559	\$ 18,113	\$ 156,978	\$ 211,883	\$ 520,533
Fund Equity:					
Unreserved fund balances	\$ 87,428	\$ 105,031	\$ 204,050	\$ 151,030	\$ 547,539
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 220,987</b>	<b>\$ 123,144</b>	<b>\$ 361,028</b>	<b>\$ 362,913</b>	<b>\$ 1,068,072</b>

**Dike-New Hartford Community School District****Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds****Year Ended June 30, 2008**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local Sources:					
Local tax	\$ 132,559	\$ -	\$ 150,758	\$ 186,430	\$ 469,747
Other	11,829	271,097	4,386	5,654	292,966
State sources	101	-	109	137	347
Total Revenues	\$ 144,489	\$ 271,097	\$ 155,253	\$ 192,221	\$ 763,060
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 30,173	\$ -	\$ -	\$ -	\$ 30,173
Other instruction	-	344,506	-	-	344,506
Support services:					
Instructional staff services	-	-	19,388	-	19,388
Administration services	7,397	-	-	-	7,397
Operation and maintenance of plant services	45,117	170	-	-	45,287
Transportation services	20,469	-	-	-	20,469
Non-instructional programs	4,833	-	-	-	4,833
Other expenditures:					
Facilities acquisition	-	-	36,099	-	36,099
Long-term debt:					
Fee	-	-	-	2,010	2,010
Principal	-	-	-	90,000	90,000
Interest	-	-	-	246,531	246,531
Total Expenditures	\$ 107,989	\$ 344,676	\$ 55,487	\$ 338,541	\$ 846,693
Excess (deficiency) of revenues over (under) expenditures	\$ 36,500	\$ -73,579	\$ 99,766	\$ -146,320	\$ -83,633
Other financing sources (uses):					
Operating transfers in	-	-	-	263,065	263,065
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 36,500	\$ -73,579	\$ 99,766	\$ 116,745	\$ 179,432
Fund balances beginning of year	50,928	178,610	104,284	34,285	368,107
Fund Balances End of Year	\$ 87,428	\$ 105,031	\$ 204,050	\$ 151,030	\$ 547,539

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2008

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 21	\$ -	\$ -	\$ -	\$ 21
Annual	-	8,466	8,079	-	387
Athletics	24,536	1,027	16,359	2,016	11,220
Band uniforms	91	1,953	616	-	1,428
Band	628	2,957	2,605	-	980
Interest income	12,677	6,056	10,000	-	8,733
Vocal music	4,386	5,336	4,633	500	5,589
Musical	2,323	2,288	3,768	-	843
Music trip	10,867	56,840	66,476	-	1,231
Cheerleaders	1,762	979	721	-134	1,886
Speech	518	-	1,610	2,000	908
Drama	1,270	-	339	350	1,281
Cross Country	-	1,323	1,118	-205	-
Tennis	-	198	354	156	-
Golf	-	14	613	599	-
Boys basketball	-	2,579	4,370	1,791	-
Football	-	12,612	11,641	-971	-
Baseball	-	1,274	3,369	2,095	-
Boys track	-	1,804	4,075	2,271	-
Wrestling	-	1,566	1,291	-275	-
Girls basketball	-	2,674	1,841	-833	-
Volleyball	-	4,163	3,591	-572	-
Softball	-	1,449	2,196	747	-
Girls track	-	4,673	3,638	-1,035	-
Student Council	1,009	2,614	1,650	-	1,973
Junior/Senior Prom	283	8,672	8,123	-	832
Concessions	4,667	29,019	27,644	-4,950	1,092
National Honor Society	2,833	824	2,502	-	1,155
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	478	1,027	-	-1,000	505
Athletic towel service	7,701	726	1,126	-	7,301
Dance	211	-	-	-	211
Secondary	1,666	2,455	2,635	-1,000	486
Junior High	9,799	14,080	12,308	-5,842	5,729
Dike Elementary	2,051	8,746	8,502	-	2,295
New Hartford Elementary	13,299	5,580	8,062	-	10,817
Thespians	190	618	612	-	196
SADD	91	332	190	-	233
Booster Club	6,819	18,280	18,098	-4,543	2,458
Track project donations	34,405	-	34,405	3,091	3,091
Service Learning Scholarship	500	-	450	-	50
Football Fundraisers	3,249	13,440	11,382	-	5,307
Volleyball Fundraisers	5,489	12,999	16,683	-	1,805
Cheerleading Fund	-	-	134	134	-
Baseball Fund	15	493	-	-	508
Wrestling Mats	1,000	-	-	-	1,000

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2008

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
All State Music	\$ -	\$ 900	\$ -	\$ -	\$ 900
JH Athletics	-	1,572	8,964	7,392	-
Activity Tickets	-	4,262	-	-4,262	-
Swimming	-	-	30	30	-
Soccer	-	-	2,250	2,250	-
Cross County Fundraisers	973	1,920	3,093	200	-
Boys Track Fundraisers	1,035	2,518	3,285	-	268
Wrestling Fundraisers	498	4,747	3,796	-	1,449
Baseball/Softball lights	3,500	-	-	-	3,500
Boys Basketball Fundraisers	414	4,587	2,975	-	2,026
Girls Basketball Fundraisers	259	1,842	1,690	-	411
Softball Fundraisers	313	3,004	1,712	-	1,605
Sound system	935	-	-	-	935
Bleachers	13,600	-	2,938	-	10,662
JH Trip	1,530	5,609	6,134	-	1,005
Total	\$ 178,610	\$ 271,097	\$ 344,676	\$ -	\$ 105,031

## Dike-New Hartford Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local tax	\$ 3,084,998	\$ 2,960,196	\$ 2,722,300	\$ 2,488,099
Tuition	196,965	215,185	226,198	217,634
Other	617,231	711,373	477,631	427,357
Intermediate sources	-	-	-	-
State sources	3,891,713	3,730,342	3,505,560	3,365,191
Federal sources	115,741	139,699	135,423	146,406
Total	\$ 7,906,648	\$ 7,756,795	\$ 7,067,112	\$ 6,644,687
Expenditures:				
Instruction:				
Regular instruction	\$ 3,103,064	\$ 3,032,320	\$ 2,847,000	\$ 2,643,861
Special instruction	758,860	780,449	716,836	769,512
Other instruction	978,872	768,112	736,740	686,579
Support services:				
Student services	131,732	141,821	135,738	142,251
Instructional staff services	305,867	284,354	259,327	218,725
Administrative services	721,716	773,832	919,135	615,689
Operation and maintenance of plant services	581,378	535,595	549,478	495,048
Transportation services	278,985	355,838	345,862	323,875
Central support services				-
Non-instructional programs	5,188	6,485	4,246	6,194
Other expenditures:				
Facilities acquisition	2,090,185	2,981,965	61,639	58,010
Long-term debt:				
Principal	9,000	85,000	80,000	80,000
Interest and other charges	248,541	244,699	20,722	21,528
AEA flow-through	267,309	256,112	239,746	231,860
Total	\$ 9,561,697	\$ 10,246,582	\$ 6,916,469	\$ 6,293,132

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**



Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 12, 2009. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dike-New Hartford Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Dike-New Hartford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Dike-New Hartford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Dike-New Hartford Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Dike-New Hartford Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### Compliance and Other Matters


As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dike-New Hartford Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed our conclusions on the District's responses, I did not audit Dike-New Hartford Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

January 12, 2009

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2008**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-08 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2008**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 did not exceed the certified budget.
- II-B-08 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-J-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion – Response accepted.